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August 19, 2013

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TO: Appointing Authorities, Personnel Officers and Unions Representing
State Employees
FROM: Nancy Johnston, Director
SUBJECT: FY2015 Pay Plan Recommendations

Attached, please find a copy of the Personnel Advisory Board's Pay Plan Recommendations for FY2015 as provided to Governor Nixon on August 13, 2013.

The Board's focus this year is on statewide within-grade increases along with a 2.4% General Structure Adjustment. The recommendations also include several class-specific elements including targeted within-grade increases, repositioning and specifically targeted differentials.

The Board's recommendations will hopefully lay the foundation for a long range compensation approach that is competitive with the labor market and provides recognition of the contributions and experience of state employees.

Attachments

FY 2015 PAY PLAN RECOMMENDATIONS

THE IMPACT OF PAY COMPRESSION

WITHIN-GRADE SALARY ADVANCEMENTS

GENERAL STRUCTURE ADJUSTMENT

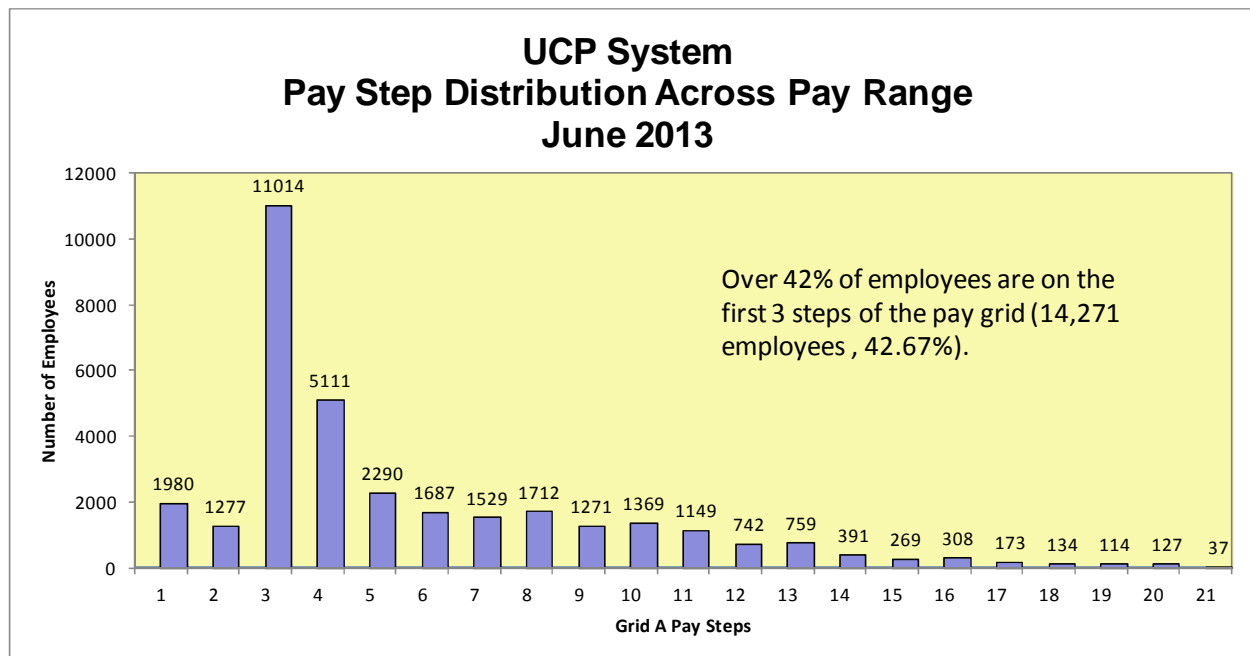
REPOSITIONING / TARGETED WITHIN-GRADE SALARY ADVANCEMENTS

TOTAL ESTIMATED COSTS

The Impact of Pay Compression

The lack of any statewide within-grade (WIG) increases over the past thirteen years has created a situation in which employees with up to thirteen years of experience make exactly the same pay rate as employees who recently completed their probationary period. Just over forty-two percent (42%) of Missouri state employees are on the first three steps of their pay range—despite the fact that the grid averages almost nineteen (19) steps per range. This situation, where the pay rates of a large group of employees are virtually the same, is known as pay compression.

The chart below illustrates the distribution of employees within the Uniform Classification and Pay System across their assigned pay ranges.



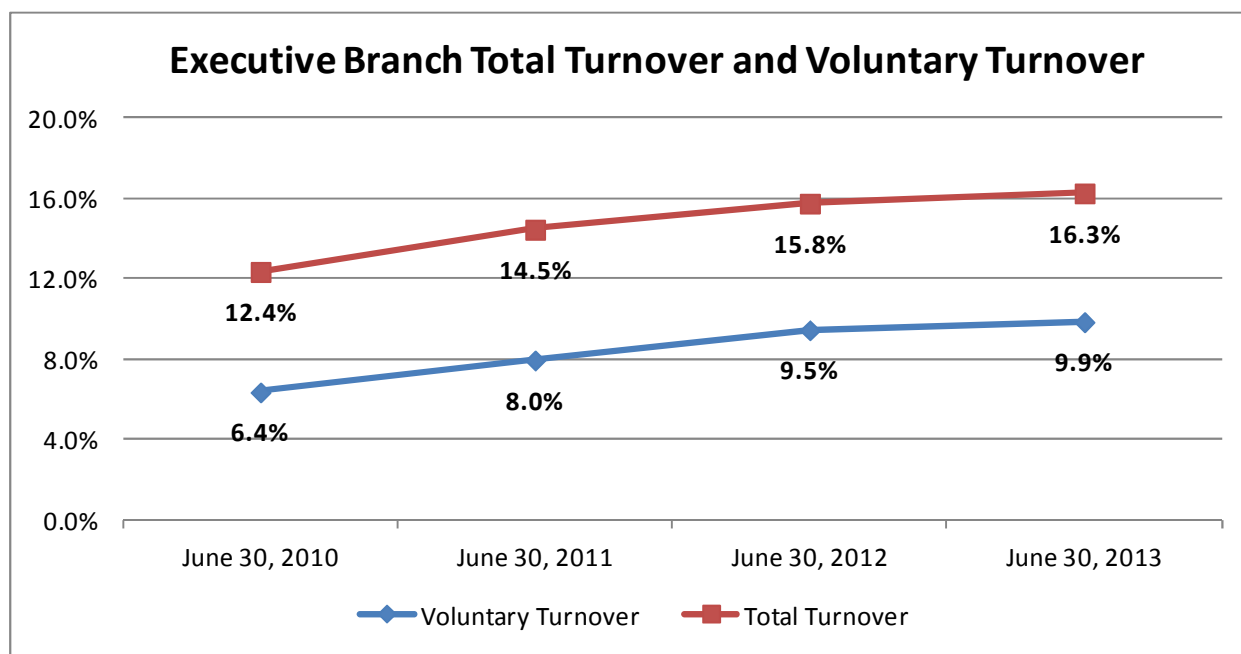
No statewide within-grade salary advancement has been received since July 1, 2000. The only WIG increase for employees hired after that date may have been the customary two-step increase for successfully completing their probationary period, or an occasional targeted WIG for a specific job classification like Corrections Officers. Due to budgetary constraints, even the end of probation increases haven't always been possible. Thus we may have trained and proficient employees with up to

thirteen (13) years of service with the state who receive the exact same salary as co-workers with less than a year's service who have just completed their probationary period.

Typically, as employees acquire experience and proficiency in their jobs they are more valuable to the State than when they were first hired. This value should be reflected in salaries. Unfortunately, it is not.

This situation potentially leads to morale issues as employees may feel under-valued and under-appreciated. Employees can easily feel that their job commitment, knowledge and experience remains unrecognized from a compensation perspective. This may be most acutely felt among those employees with eight to twelve years of experience. The most recently hired employees are, or soon will be, making exactly the same salary even though they lack the experience.

This situation threatens Missouri's ability to retain its best employees. Employees can see that they have little hope of progressing salary-wise and as the economy improves many may well seek to leave state employment for better paying jobs. Many state government employees have salaries near the bottom of their established pay range. Without within-grade salary advancement, those salaries will remain near the bottom. The following chart shows the trending increase in total turnover and total voluntary turnover for the State of Missouri over the past four years:



This situation may also impact the State's ability to effectively recruit new employees. Applicants may see the history of the lack of increases and may decide that working for the State of Missouri will lead to reduced future earnings throughout their careers. The State may experience problems in filling positions, may be forced to fill positions with candidates who possess marginal qualifications, or, even worse, be forced to reduce the minimum qualifications for job classes in order to fill them.

Within-Grade Salary Advancements

For employees paid on ranges and steps (table-driven pay), within-grade salary advancements provide the only compensation mechanism to move employees through their respective pay ranges. For employees with non-table driven pay (using stepless pay grids), both WIG increases and GSA increases may help to move employees through the ranges. Within-grade salary advancements (WIGs) are designed to recognize distinctions in salary based upon the experience, knowledge and expertise of employees.

No statewide WIG has been granted to Missouri employees since July 1, 2000. The result of this lack of within-grade salary advancements is the significant low-end pay compression now experienced by Missouri state government. Currently about 42.0% of Missouri state employees within the UCP system remain on the bottom three steps of their pay range.

This situation would be worse had it not been for the custody staff and probation & parole assistants for the Department of Corrections and the security aides for the Department of Mental Health being granted job class-specific WIG increases by the legislature in the FY 2009 (July 1, 2008) budget. Many of these employees are now on the fourth step of their pay range. Approximately 58.0% of state employees are paid on the first four steps of their pay range.

The PAB is recommending a two-tiered WIG approach for FY2015. It is hoped that this approach will take moderate, yet meaningful, steps to address low-end pay compression. From an employee perspective, the most significant compression issues are felt by employees that have been with the state for a number of years, but may not have received a step increase beyond their initial end of probation increase. In order to directly target this situation, the Board recommends that employees with non-table driven pay and with at least seven (7) years of state service will receive a 1.7% increase. For employees whose pay is non-table driven, the PAB is also recommending a 1.7% increase for all employees. This approach strives to balance costs with the need to address low-end pay compression. Applying both parts of this plan, all employees with non-table driven pay would receive a 1.7% increase and the employees with at least seven (7) years of experience with the state would receive a 3.4% total WIG increase.

Similarly, for employees whose pay is table-driven (paid on a range and a step), the PAB is recommending that employees with at least seven (7) years of state service will receive a 2-step increase. A one-step increase is recommended for all employees with less than seven (7) years of state service. Due to significant variances in the percentages between some of the steps, it is understood that the actual increases received by employees will vary based on the particular range and step that each employee is currently paid on.

General Structure Adjustment

An important compensation component relates to the ability to maintain the overall competitiveness of the pay plan. This is primarily accomplished through the use of the General Structure Adjustment (GSA). The GSA is often described as a “cost of living” adjustment. While the cost of living is a factor in determining the amount of the GSA, the adjustment should not be considered solely as a cost of living increase. The primary purpose of the GSA is to maintain the competitiveness of the pay plan relative to other employers.

Historically, the GSA has involved an adjustment to the pay grids themselves. Virtually all employees benefit from this type of increase. Only temporary and seasonal workers are not automatically included. Their increases, if any, are determined by each agency.

The recommended GSA adjustment is based upon a set of consistent indicators. These indicators include: the Consumer Price Index (CPI), the Employment Cost Index (ECI), the WorldatWork Salary Budget Survey and Personal Income (PI) data for the State of Missouri. The following chart (Table # 1) represents the most current data from these indicators:

TABLE # 1

General Structure Adjustment Economic Indicators	Percentage
<u>Consumer Price Index (CPI-U)</u> U.S. Department of Labor, Bureau of Labor Statistics All Urban Region Consumers (Midwest) Increase for month ending June 2013 over June 2012	2.2%
<u>Employment Cost Index (ECI)</u> U.S. Department of Labor, Bureau of Labor Statistics Midwest (West North Central) Region for Private Industry Workers Wages and Salaries (excludes Benefits) Increase for quarter ending June 2013 over June 2012	1.8%
<u>World at Work Actual Salary Budget Increases</u> Actual Average for 2013 for Non-Exempt Salaried Workers July 2013	2.9%
<u>Personal Income (PI)</u> U.S. Department of Commerce, Bureau of Economic Analysis State of Missouri Increase in Personal Income for quarter ending March 2013 over March 2012	2.8%
Average of the Indicators Listed	2.4%

The current indicators as presented in the above table calculate a 2.4% increase in the GSA as being appropriate.

For employees paid on stepless pay ranges (non-table driven pay), the historical distinctions between GSA increases and WIG increases may blur. As long as the lower end of the various ranges and the

recruitment rates paid to new employees are not increased, both GSA increases and WIG increases can serve to move experienced employees through their assigned pay ranges. There may be times when it is determined that the various ranges need to be adjusted, but this would not be a requirement during each fiscal year.

Repositioning/Targeted Within-Grade Salary Advancements

Repositioning is the assignment of a job class to a higher pay range. It is an element of the pay plan designed to address inequitable pay situations, both internally and externally. Repositioning is a possible solution when the pay of the job class is low relative to pay rates of other employers in the labor market, when the distribution of employees in the job class is weighted towards the top of the pay range and when turnover within the job class is high.

Targeted within-grade salary advancements are another tool to use in cases where a significant pay gap may occur, but the salary range appears appropriate for the job class. Targeted WIGs can be used to help address recruitment challenges, turnover issues and class-specific pay compression.

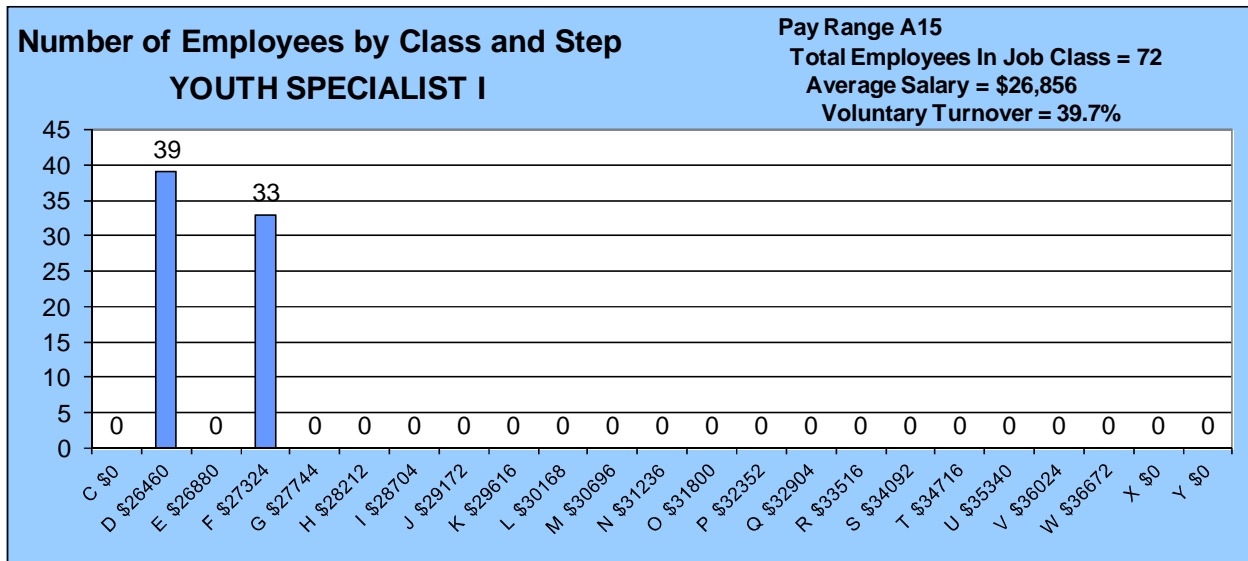
After evaluating input from key stakeholders, several job classes are recommended for repositioning and/or targeted within-grade advancements.

YOUTH SPECIALIST I (Repositioning from Range 15 to Range 16 and a two-step targeted within-grade increase)

A one range repositioning is recommended for the Youth Specialist I job class. This repositioning proposal has been included in previous pay plan recommendations. The minimum qualifications for a Youth Specialist I require either two years of college coursework or two years of specialized experience working with youth and a high school diploma or equivalency.

While a Youth Specialist I will typically be promoted to the II level, this process takes a minimum of two years. Voluntary turnover in this job class has been high at 39.7% for the year ending June 30, 2013. There are approximately seventy-two employees in this class.

The class exhibits a very high degree of pay compression, though this may be more the result of the job class being multi-allocated with the Youth Specialist II. The range for the Youth Specialist II is range 18; thus this repositioning proposal should not result in undue compression between the two levels.

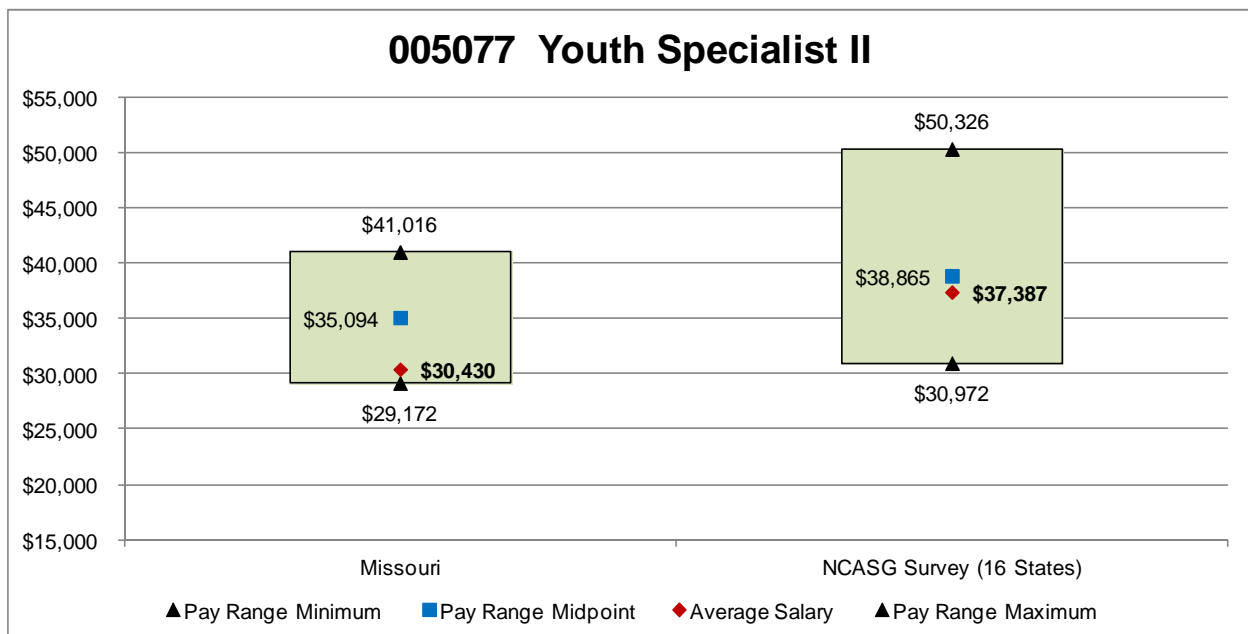


In addition to a one-range repositioning, the Youth Specialist I job class is also recommended for a two-step targeted within-grade increase.

YOUTH SPECIALIST II (Two-step targeted within-grade increase)

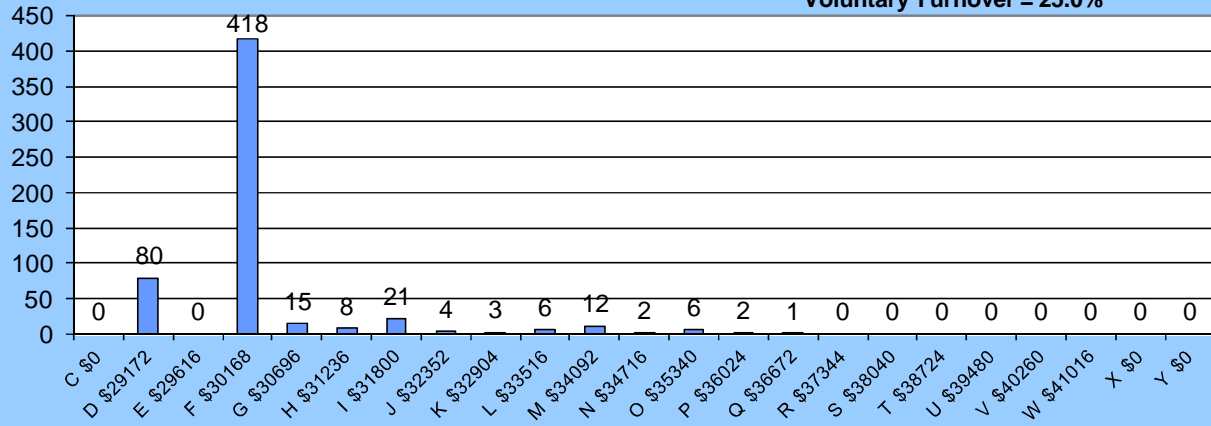
YOUTH GROUP LEADER (Two-step targeted within-grade increase)

Similarly, both the Youth Specialist II and Youth Group Leader job classes are recommended for a two-step targeted within-grade increase



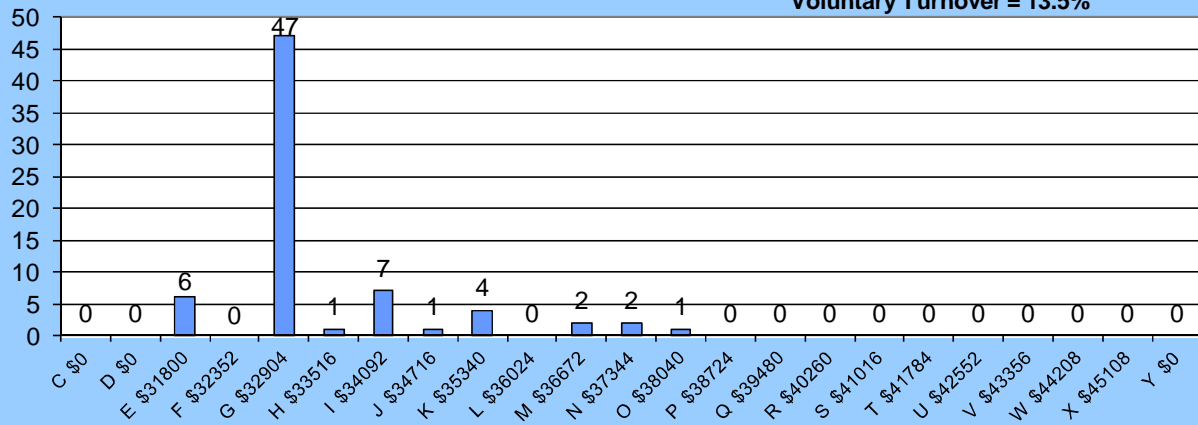
Number of Employees by Class and Step **YOUTH SPECIALIST II**

Pay Range A18
Total Employees In Job Class = 578
Average Salary = \$30,364
Voluntary Turnover = 25.0%



Number of Employees by Class and Step **YOUTH GROUP LEADER**

Pay Range A20
Total Employees In Job Class = 71
Average Salary = \$33,403
Voluntary Turnover = 13.5%

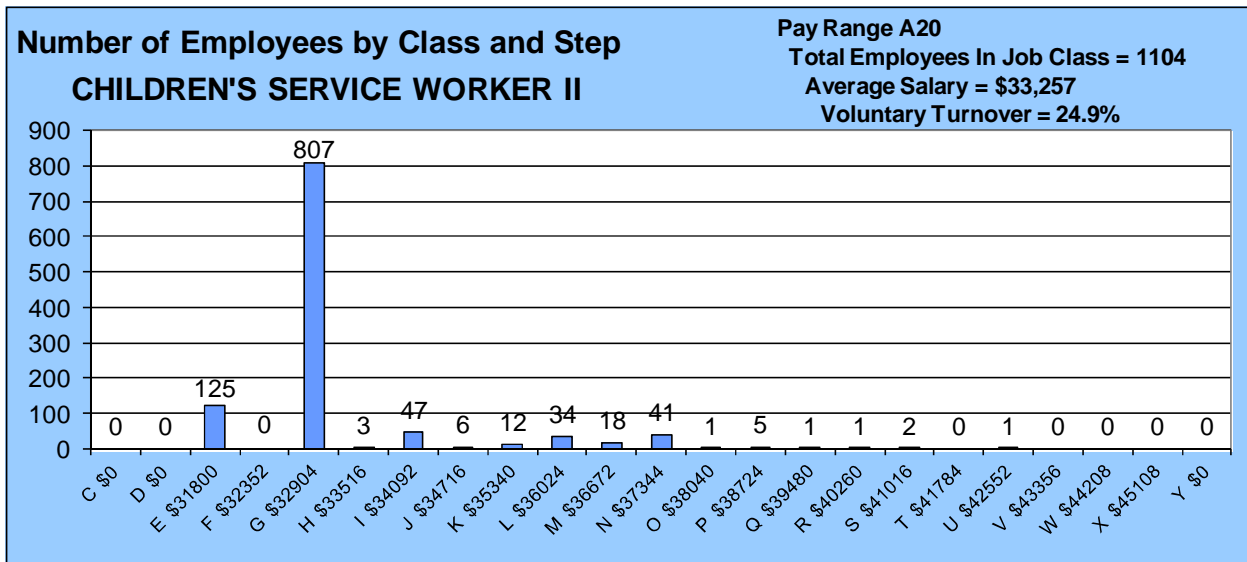
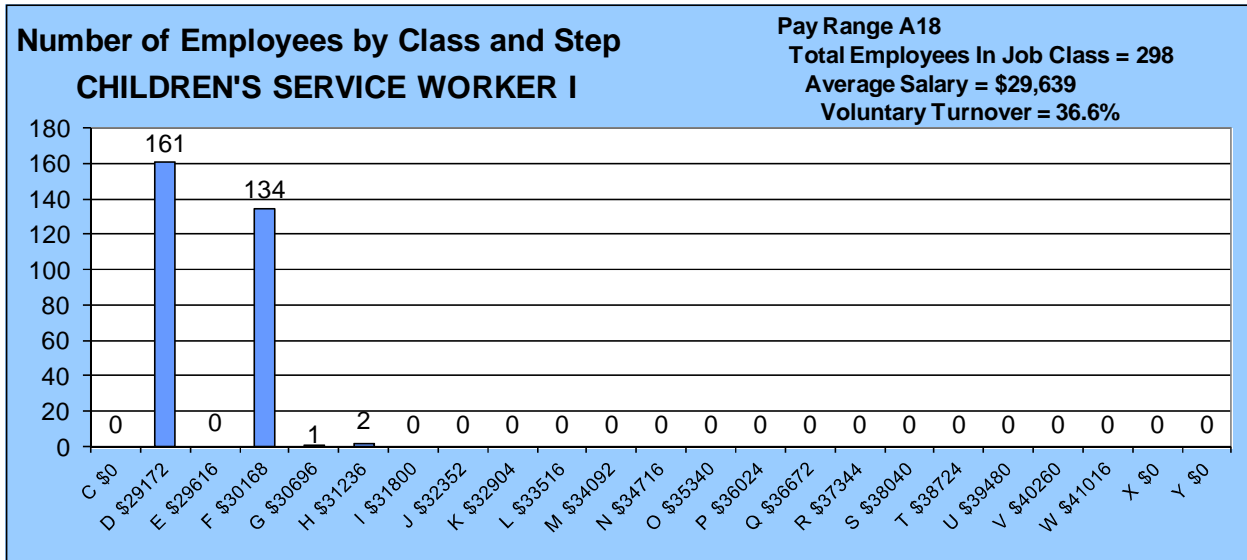


CHILDREN'S SERVICE WORKER I (Two-step targeted within-grade increase)

CHILDREN'S SERVICE WORKER II (Two-step targeted within-grade increase)

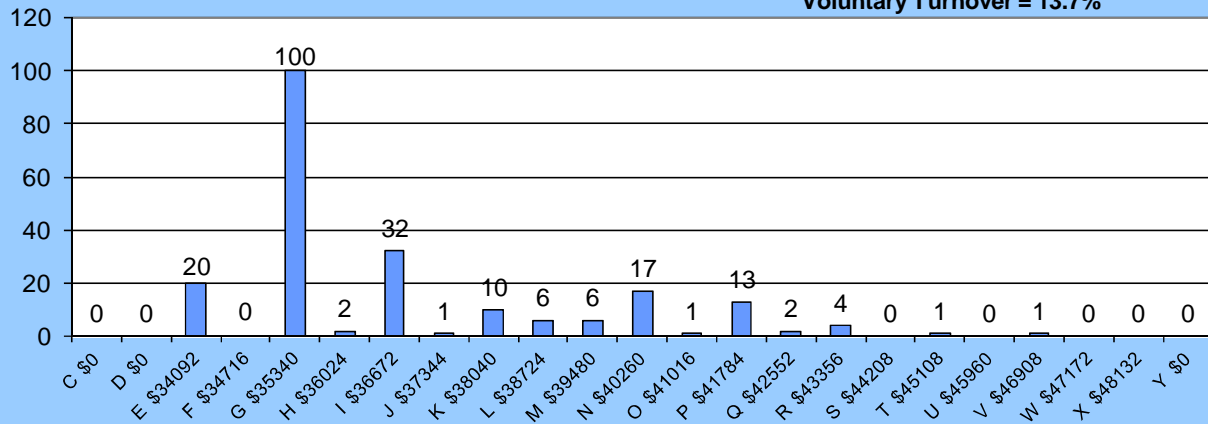
CHILDREN'S SERVICE SUPERVISOR (Two-step targeted within-grade increase)

The Children's Service Worker I, Children's Service Worker II and Children's Service Supervisor job classes are also recommended for a two-step targeted within-grade increase.



Number of Employees by Class and Step CHILDREN'S SERVICE SPV

Pay Range A22
Total Employees In Job Class = 216
Average Salary = \$36,887
Voluntary Turnover = 13.7%



Additional Job Class-Specific Adjustments

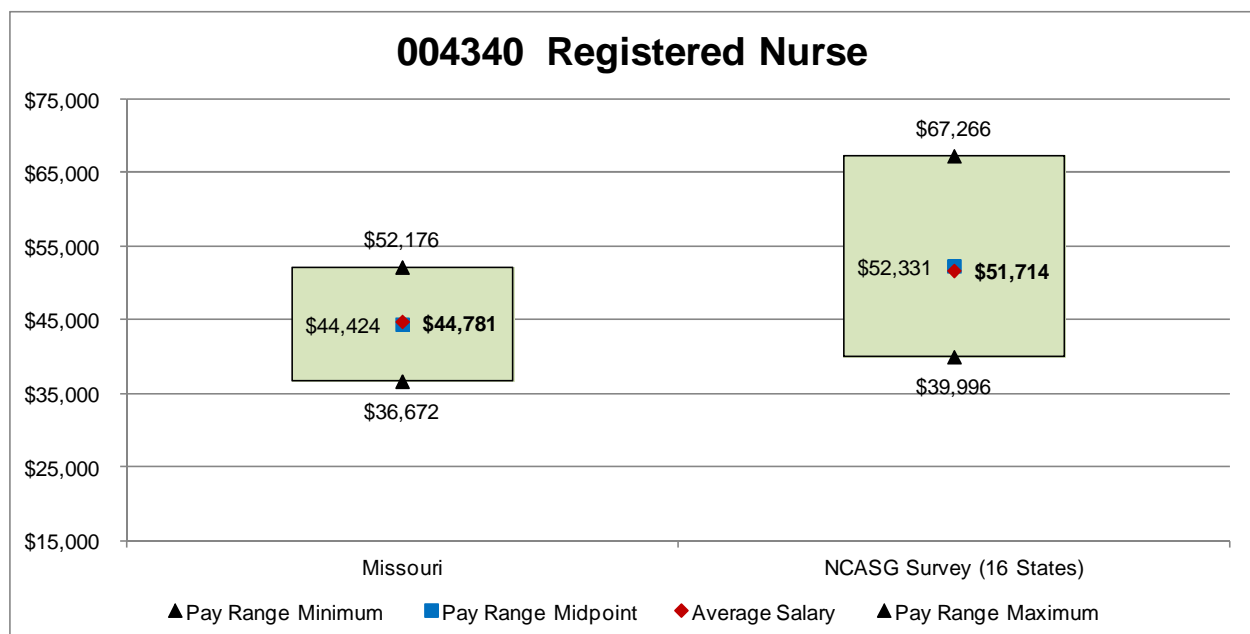
Several Registered Nurse classes are recommended for class-specific salary adjustments. Special attention was given to these classes during the FY2014 budget process. Recruitment and retention of these staff continue to be a concern moving into FY2015. Recognizing these challenges, the following salary adjustments are recommended.

REGISTERED NURSE (6% salary adjustment)

REGISTERED NURSE SENIOR (6% salary adjustment)

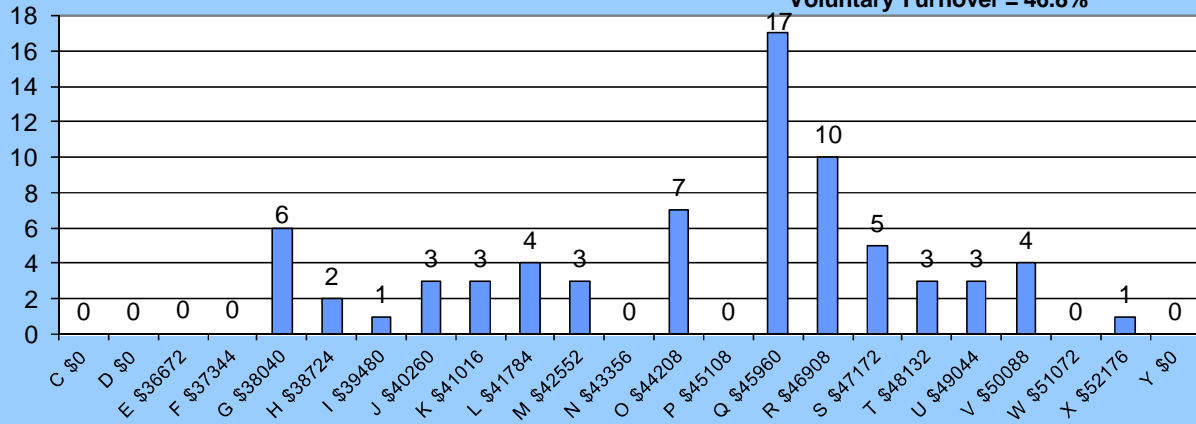
REGISTERED NURSE – CLINICAL OPERATIONS (6% salary adjustment)

REGISTERED NURSE SUPERVISOR (6% salary adjustment)



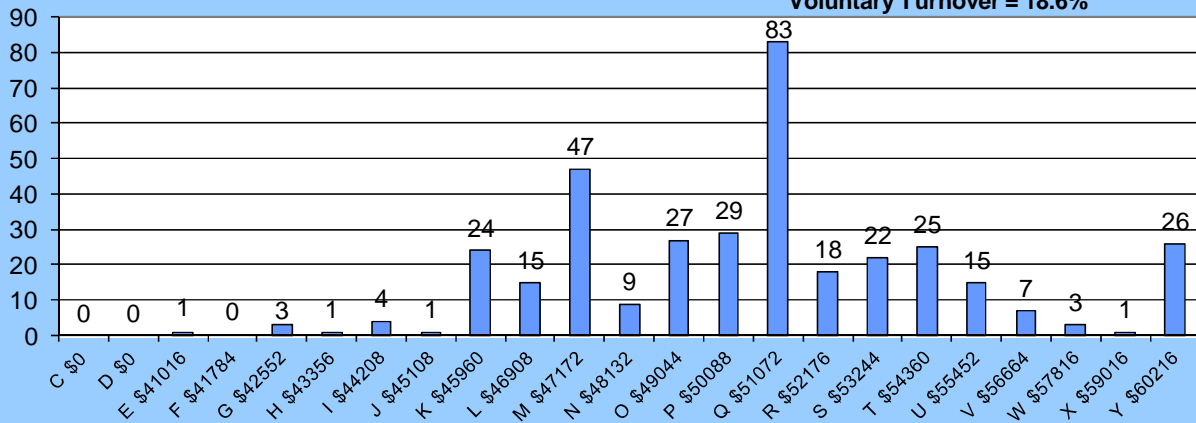
Number of Employees by Class and Step
REGISTERED NURSE

Pay Range A24
Total Employees In Job Class = 72
Average Salary = \$44,772
Voluntary Turnover = 46.8%

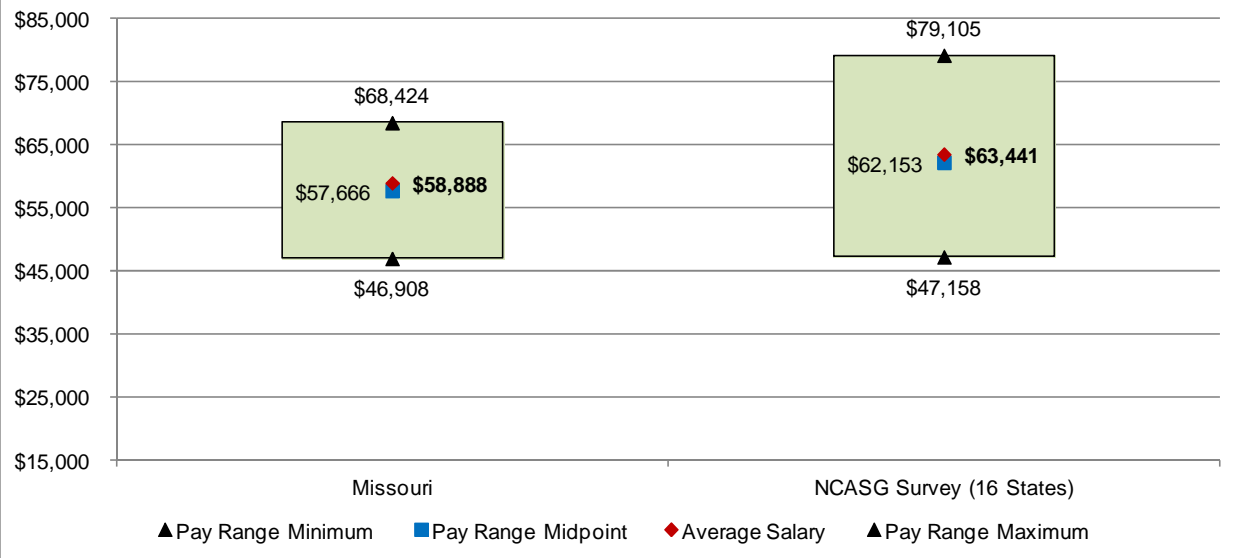


Number of Employees by Class and Step
REGISTERED NURSE SENIOR

Pay Range A27
Total Employees In Job Class = 361
Average Salary = \$50,977
Voluntary Turnover = 18.6%

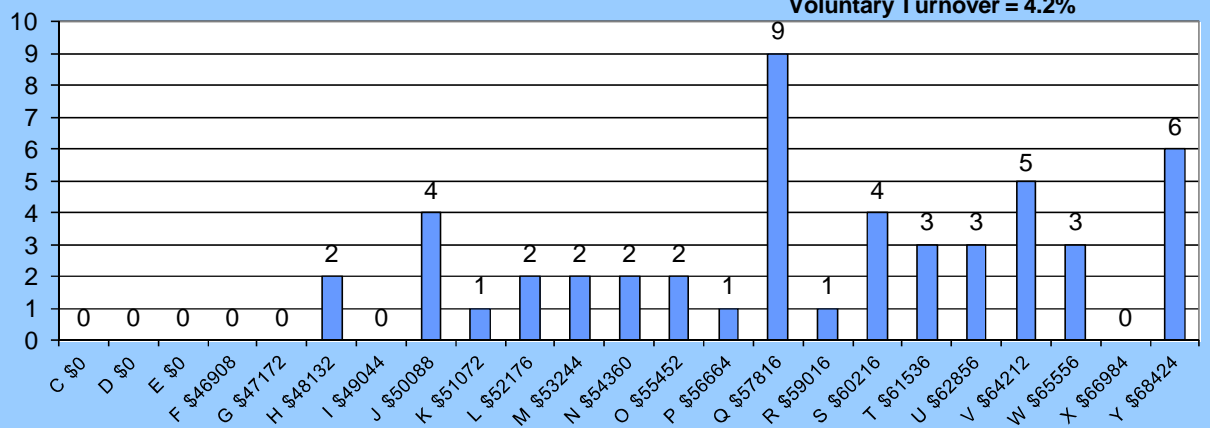


004342 Registered Nurse-Clinical Operations

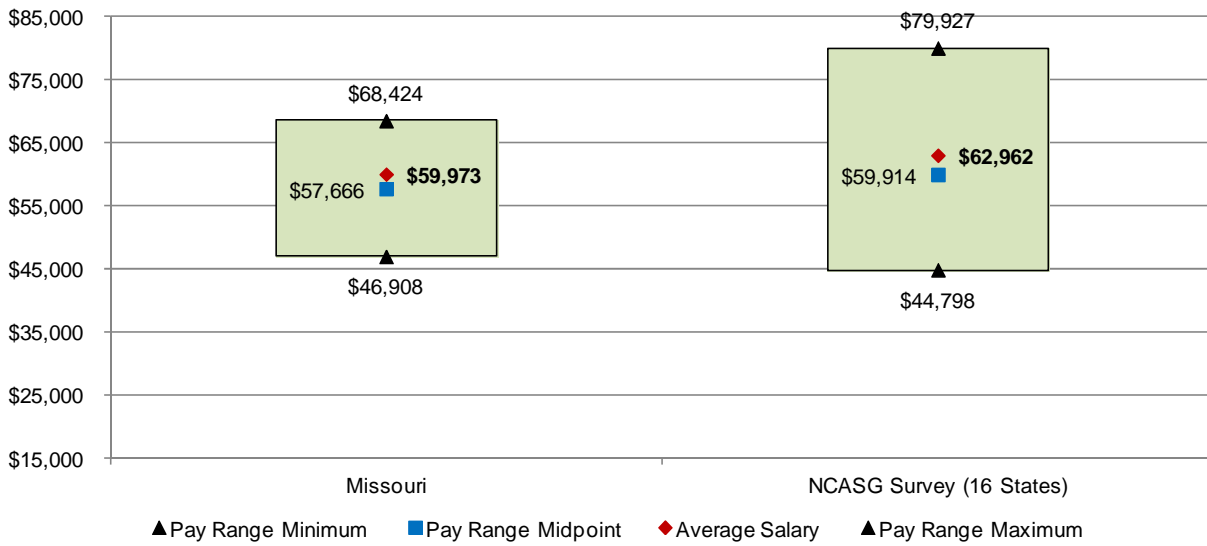


Number of Employees by Class and Step
REGISTERED NURSE - CLIN OPERS

Pay Range A30
Total Employees In Job Class = 50
Average Salary = \$59,130
Voluntary Turnover = 4.2%

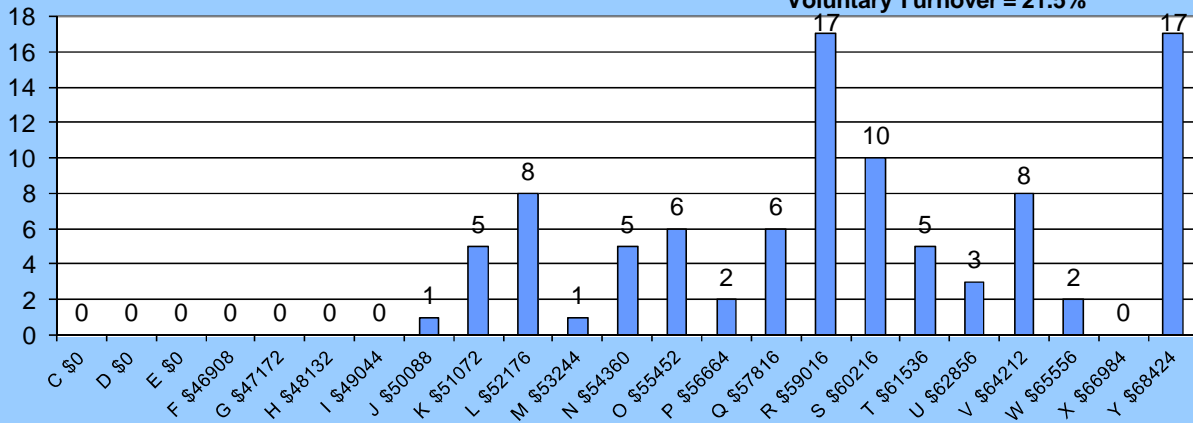


004343 Registered Nurse Supervisor

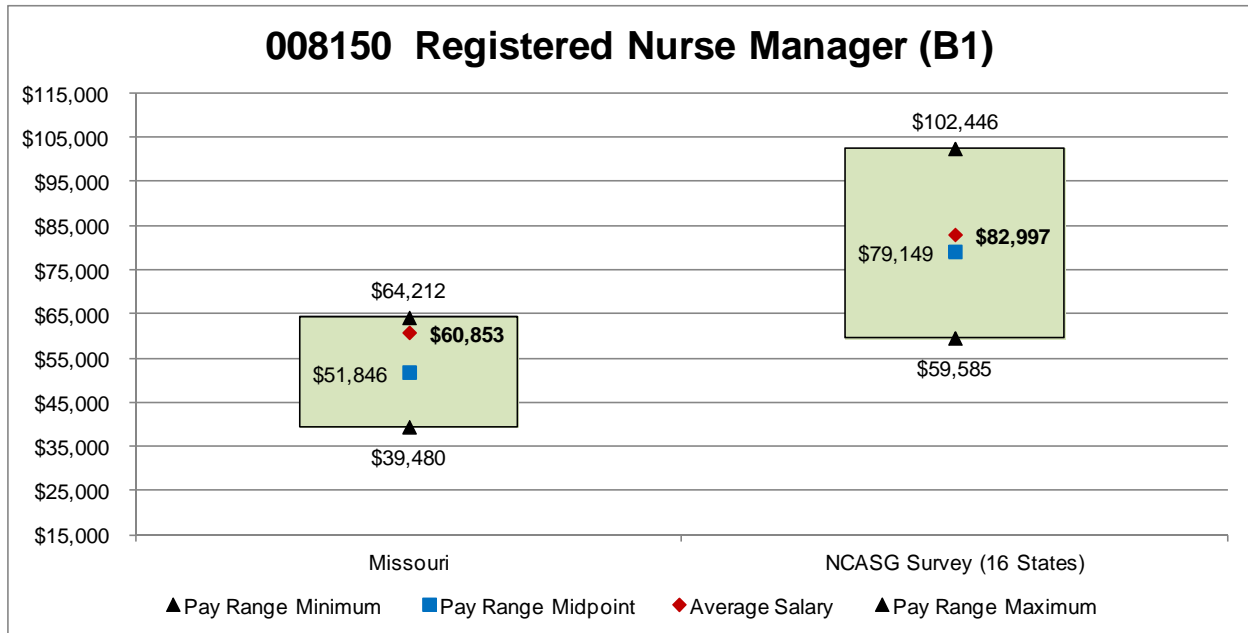


Number of Employees by Class and Step REGISTERED NURSE SUPERVISOR

Pay Range A30
Total Employees In Job Class = 96
Average Salary = \$59,901
Voluntary Turnover = 21.5%

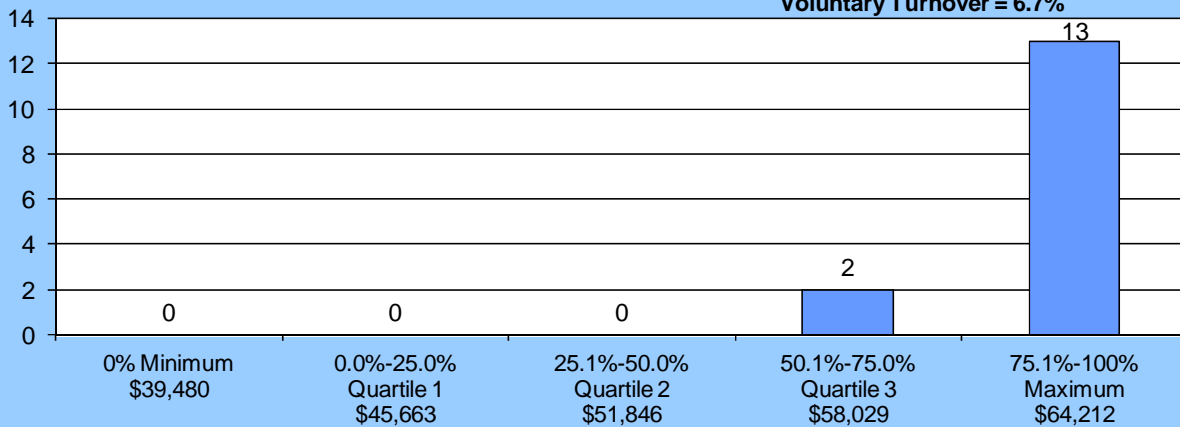


REGISTERED NURSE MANAGER (BAND 1) (5% salary adjustment)
REGISTERED NURSE MANAGER (BAND 2) (5% salary adjustment)
REGISTERED NURSE MANAGER (BAND 3) (5% salary adjustment)



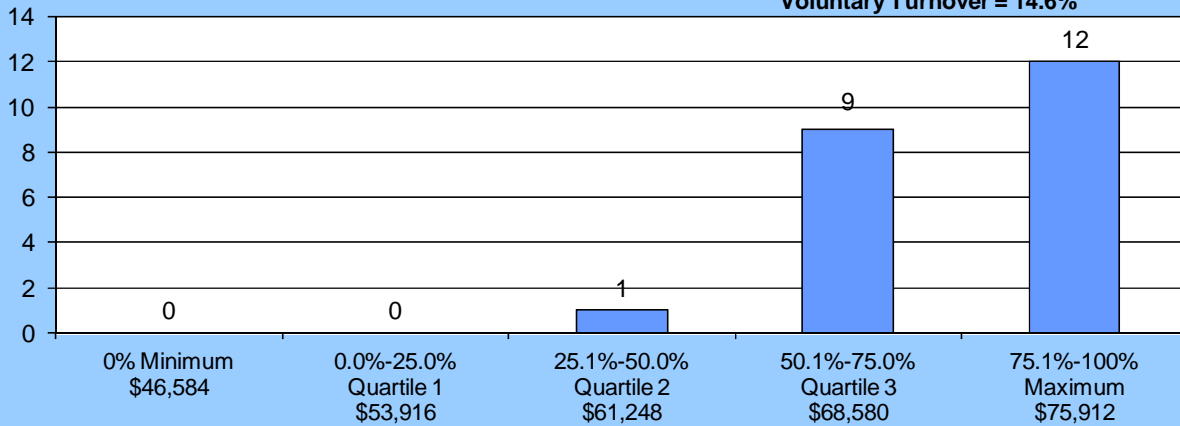
Number of Employees by Class and Quartile
REGISTERED NURSE MANAGER B1

Broadbanded Manager Band 1
Total Employees In Job Class = 15
Average Salary = \$60,769
Voluntary Turnover = 6.7%



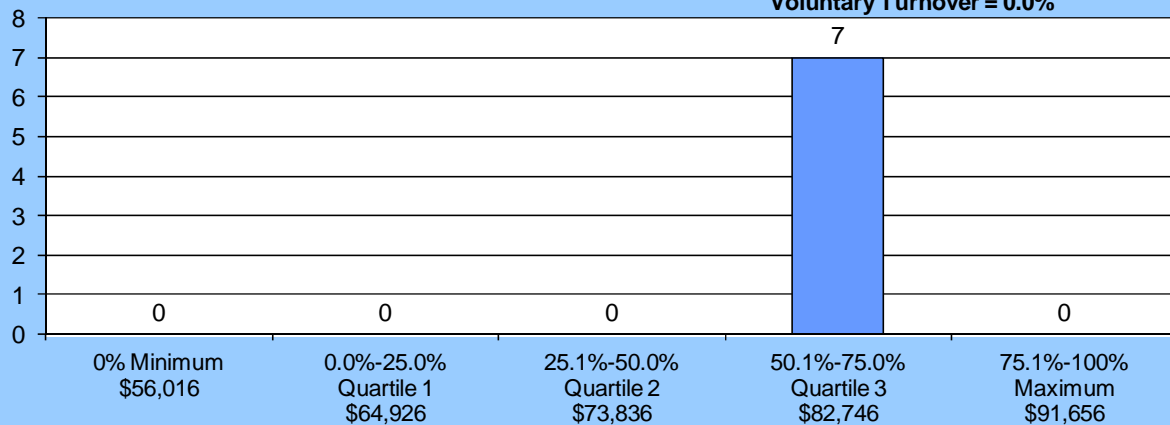
Number of Employees by Class and Quartile
REGISTERED NURSE MANAGER B2

Broadbanded Manager Band 2
Total Employees In Job Class = 22
Average Salary = \$69,010
Voluntary Turnover = 14.6%



Number of Employees by Class and Quartile
REGISTERED NURSE MANAGER B3

Broadbanded Manager Band 3
Total Employees In Job Class = 7
Average Salary = \$79,545
Voluntary Turnover = 0.0%



Differentials

Part of the request from the Department of Mental Health included pay differentials for specific job classes. Differentials do not adjust the base pay, but provide additional pay based on specific factors for some of the employees.

SECURITY DIFFERENTIAL (10% and 5% for Department of Mental Health)

A security differential for registered nurse classes who work in maximum and intermediate security units at the Department of Mental Health is recommended. These security differentials were approved by the Board for the FY2014 Pay Plan, but were not funded through the budget process. Currently several

other job classes receive a security differential, but the registered nurses have not previously been included in this.

This differential is designed to help recruitment and retention at the maximum and intermediate security facilities at the Fulton State Hospital and at the intermediate security unit in Farmington (SORTS). Recruitment in those facilities is especially difficult. Vacancy rates for the Registered Nurse series at Fulton is approximately 38%.

The differential would provide a 10% pay differential for registered nurse staff working in direct care at the Biggs Center (maximum security) and at the SORTS unit in Fulton. A 5% pay differential would be paid to registered nurses working in direct care at the intermediate security units in both Fulton and Farmington.

Total Estimated Cost of Suggested Within-Grade Salary Advancement, General Structure Adjustment and Repositioning – Based on Current Salaries

UNIFORM CLASSIFICATION & PAY SYSTEM				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase, 7 Plus Years of Service	\$8,048,610	\$7,615,478	\$15,664,088	1.1%
Within-Grade Increase, General	\$12,616,740	\$11,937,776	\$24,554,516	1.7%
General Structure Adjustment (2.4%)	\$17,402,401	\$16,465,897	\$33,868,298	2.4%
Repositioning	\$18,063	\$44,937	\$63,000	
Targeted Within-Grade Increase (DSS)	\$775,474	\$1,929,206	\$2,704,680	
Job Class-Specific Adjustments	\$1,386,492	\$582,832	\$1,969,324	
Differentials	\$256,846	\$107,969	\$364,815	
Total UCP System Agencies, Salary Only	\$40,504,627	\$38,684,094	\$79,188,721	
Benefits (28.52%)	\$11,551,919	\$11,032,704	\$22,584,623	
Total UCP System Agencies, Salary plus Benefits	\$52,056,546	\$49,716,798	\$101,773,344	
NON-UCP SYSTEM AGENCIES				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase, 7 Plus Years of Service	\$3,083,076	\$5,625,421	\$8,708,497	1.1%
Within-Grade Increase, General	\$4,832,931	\$8,818,227	\$13,651,158	1.7%
General Structure Adjustment (2.4%)	\$6,666,111	\$12,163,072	\$18,829,183	2.4%
Repositioning	\$0	\$0	\$0	
Targeted Within-Grade Increase (DSS)	\$0	\$0	\$0	
Job Class-Specific Adjustments	\$0	\$0	\$0	
Differentials	\$0	\$0	\$0	
Total Non-UCP System Agencies, Salary Only	\$14,582,118	\$26,606,720	\$41,188,838	
Benefits (28.52%)	\$4,158,820	\$7,588,237	\$11,747,057	
Total Non-UCP System Agencies, Salary plus Benefits	\$18,740,938	\$34,194,957	\$52,935,895	
ALL AGENCIES				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase, 7 Plus Years of Service	\$11,131,687	\$13,240,898	\$24,372,585	1.1%
Within-Grade Increase, General	\$17,449,671	\$20,756,003	\$38,205,674	1.7%
General Structure Adjustment (2.4%)	\$24,068,512	\$28,628,969	\$52,697,481	2.4%
Repositioning	\$18,063	\$44,937	\$63,000	
Targeted Within-Grade Increase (DSS)	\$775,474	\$1,929,206	\$2,704,680	
Job Class-Specific Adjustments	\$1,386,492	\$582,832	\$1,969,324	
Differentials	\$256,846	\$107,969	\$364,815	
Total All Agencies, Salary Only	\$55,086,745	\$65,290,814	\$120,377,559	
Benefits (28.52%)	\$15,710,740	\$18,620,940	\$34,331,680	
Total All Agencies, Salary plus Benefits	\$70,797,485	\$83,911,754	\$154,709,239	

Total Estimated Cost of Suggested Within-Grade Salary Advancement, General Structure Adjustment and Repositioning – Based on FY 2014 Pay Plan Salaries

UNIFORM CLASSIFICATION & PAY SYSTEM				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase, 7 Plus Years of Service	\$8,150,327	\$7,706,143	\$15,856,470	1.1%
Within-Grade Increase, General	\$12,776,188	\$12,079,900	\$24,856,088	1.7%
General Structure Adjustment (2.4%)	\$17,622,328	\$16,661,931	\$34,284,260	2.4%
Repositioning	\$18,063	\$44,937	\$63,000	
Targeted Within-Grade Increase (DSS)	\$775,474	\$1,929,206	\$2,704,680	
Job Class-Specific Adjustments	\$1,454,956	\$611,611	\$2,066,567	
Differentials	\$269,638	\$113,346	\$382,984	
Total UCP System Agencies, Salary Only	\$41,066,974	\$39,147,075	\$80,214,049	
Benefits (28.52%)	\$11,712,301	\$11,164,746	\$22,877,047	
Total UCP System Agencies, Salary plus Benefits	\$52,779,275	\$50,311,821	\$103,091,095	
NON-UCP SYSTEM AGENCIES				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase, 7 Plus Years of Service	\$3,098,737	\$5,656,766	\$8,755,504	1.1%
Within-Grade Increase, General	\$4,857,480	\$8,867,363	\$13,724,843	1.7%
General Structure Adjustment (2.4%)	\$6,699,972	\$12,230,846	\$18,930,818	2.4%
Repositioning	\$0	\$0	\$0	
Targeted Within-Grade Increase (DSS)	\$0	\$0	\$0	
Job Class-Specific Adjustments	\$0	\$0	\$0	
Differentials	\$0	\$0	\$0	
Total Non-UCP System Agencies, Salary Only	\$14,656,189	\$26,754,976	\$41,411,165	
Benefits (28.52%)	\$4,179,945	\$7,630,519	\$11,810,464	
Total Non-UCP System Agencies, Salary plus Benefits	\$18,836,135	\$34,385,495	\$53,221,630	
ALL AGENCIES				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase, 7 Plus Years of Service	\$11,249,064	\$13,362,910	\$24,611,974	1.1%
Within-Grade Increase, General	\$17,633,668	\$20,947,264	\$38,580,932	1.7%
General Structure Adjustment (2.4%)	\$24,322,301	\$28,892,777	\$53,215,078	2.4%
Repositioning	\$18,063	\$44,937	\$63,000	
Targeted Within-Grade Increase (DSS)	\$775,474	\$1,929,206	\$2,704,680	
Job Class-Specific Adjustments	\$1,454,956	\$611,611	\$2,066,567	
Differentials	\$269,638	\$113,346	\$382,984	
Total All Agencies, Salary Only	\$55,723,163	\$65,902,051	\$121,625,214	
Benefits (28.52%)	\$15,892,246	\$18,795,265	\$34,687,511	
Total All Agencies, Salary plus Benefits	\$71,615,409	\$84,697,316	\$156,312,725	